

## **Paying for outpatient hospital services in cancer hospitals**

**ISSUE:** Is the prospective payment system (PPS) for outpatient services appropriate for paying for covered outpatient services delivered by free-standing cancer hospitals? Is the “hold-harmless” provision, which protects cancer hospitals from losses under the outpatient PPS (OPPS), necessary? If so, is it sufficient or are other policies, such as cost-based payment or a separate conversion factor, needed to ensure continued access to high-quality outpatient care at cancer hospitals? The Balanced Budget Refinement Act of 1999 (BBRA) requires MedPAC to study the appropriateness of the OPPS for cancer hospitals.

**KEY POINTS:** Cancer hospitals may not fare as well as other classes of hospitals under the OPPS, even after accounting for the provisions mandated by the BBRA, because the OPPS may not adequately pay for the care they delivered. Some evidence suggests that cancer hospitals may not receive appropriate payments due to differences in the mix of services they deliver and the increased complexity of patients they treat compared with non-specialty hospitals. In addition, we find cancer hospitals cannot as easily offset outpatient losses with inpatient revenues as can non-specialty hospitals because their inpatient services are paid according to the Tax Equity and Fiscal Responsibility Act of 1982 rather than prospectively. These results are based on data from the pre-PPS period, however, and we cannot conclusively ascertain whether payments are adequate under the new payment system because claims data from the post-PPS period will not be available until February 2002.

Beneficiaries’ access to the services provided by cancer hospitals could ultimately be affected if outpatient payments are not appropriate. Consequently, staff propose that the Commission consider a recommendation to continue the current hold-harmless provision for payment for outpatient services in cancer hospitals until information on payments under the new payment system is available.

**ACTION:** Commissioners should discuss the tone and content of the report and the draft recommendation. This report is due to the Congress December 1, 2001.

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